

THE CONCEPT IS SIMPLE

- Be cautious when strangers offer get-rich-quick schemes or contact you with “cold” phone calls, e-mails, or unannounced visits to your home. The calls could be a “boiler room” scam, where promoters rent offices with impressive addresses meant to legitimize their offerings, and hire unlicensed salespeople to call individuals from lists the promoters buy. The promise of fast profits rarely come true.

- Question fantastic promises of extraordinary returns on your investments. If it sounds too good to be true, it probably is!

- Shy away from high-pressure sales techniques requiring hurried money commitments. Some fraudulent schemes have used messengers to pick up investors’ checks almost as soon as they ended a phone call.

- Avoid investments in which the seller has little or no written information about the company or its past performance. Then again, even printed materials can be fakes. Read all materials carefully, ask questions, and check with experts.

- Be wary of investments that are sold on the basis of rumors, tips, or purported *insider* information.



READ ALL MATERIALS

- Ask the seller to give you written information about the investment, including the prospectus (also called an offering circular) and financial statement. Such information is required for many types of investments, including stock and franchise offerings, limited partnerships, and mutual funds. Read this information before you sign a purchase order to pay for an investment.

- Consult with your registered stockbroker, banker, lawyer, accountant or real estate agent. Check with the Better Business Bureau, the Kentucky Securities Division (1-800-223-2579) or with a knowledgeable friend or family member.

- Contact government agencies to find out if a company or individual is licensed to do business or has any history of violating the law. Failure to register or a history of trouble with authorities should raise a red-flag warning to prospective investors.

- Deal with established businesses with reputations that are known in the community.

- Don’t act on impulse. Even legitimate investments carry a risk of losing money. Don’t let the threat of “act now or lose out” lead you to make a hasty decision.



HOW TO PROTECT YOURSELF:

- Internet - The Internet is like a big city, with good neighborhoods and bad neighborhoods. Investors should be careful about taking advice from strangers. Never invest based on a “tip” found on the Internet without doing your own research.

- Investment seminars - Be wary of expensive seminars conducted by self-appointed gurus implying you can get rich quick. It’s usually the gurus who get rich, charging admission and selling their books and audiotapes.

- Affinity groups - Members of closely knit religious, political, or ethnic groups are targeted by con artists of the same background. The crooks take advantage of our natural trust of people who are like us. They use advertising to identify potential victims, often with offers of employment or financial advice.

- Abusive sales practices - Investors should hang up on aggressive cold-callers.

- Telemarketing - New “boiler rooms” feature high-pressure telephone sales that operate 24 hours a day offering fraudulent investments. Promoters try to capitalize on the headlines, from a currency crisis in Asia to a breakthrough in computers or biotechnology. One form of protection is to screen phone calls with an answering machine or simply hang up on cold-callers. You do not have to be polite.

ALWAYS A RISK

6. Promissory notes - A growing area of fraud, these notes are supposedly insured and backed by real assets. In fact, they are backed only by an often worthless promise to repay. Some notes are issued on behalf of companies that don't exist. Even if a company is legitimate, investors should realize that the reason these notes are offered to small investors is because banks and venture capitalists have declined to invest.

7. Viaticals - One of the hottest new investment products - and one of the riskiest - viatical contracts are interests in the death benefits of terminally ill patients, such as AIDS and cancer victims. Because predicting death is so uncertain, these investments are extremely speculative.

8. Entertainment - Con artists focus on investors hoping to hit it big with a stake in the next Hollywood blockbuster, cable television shows, video games, and other entertainment products.

9. Ponzi/pyramid schemes - Always in style, these swindles promise high rates of return. The only people who make a killing are the promoters who create them. Inevitably, later investors lose their money when the house of cards collapses.

10. Franchise offerings - Promoters target people attracted by the prospect of owning their own business. Franchises are often marketed at business opportunity and franchise trade shows, and while many such offerings are legitimate, some are not. Opportunities for fraud are substantial. Please do not invest without thoroughly investigating franchise offerings.

COMMONWEALTH OF KENTUCKY

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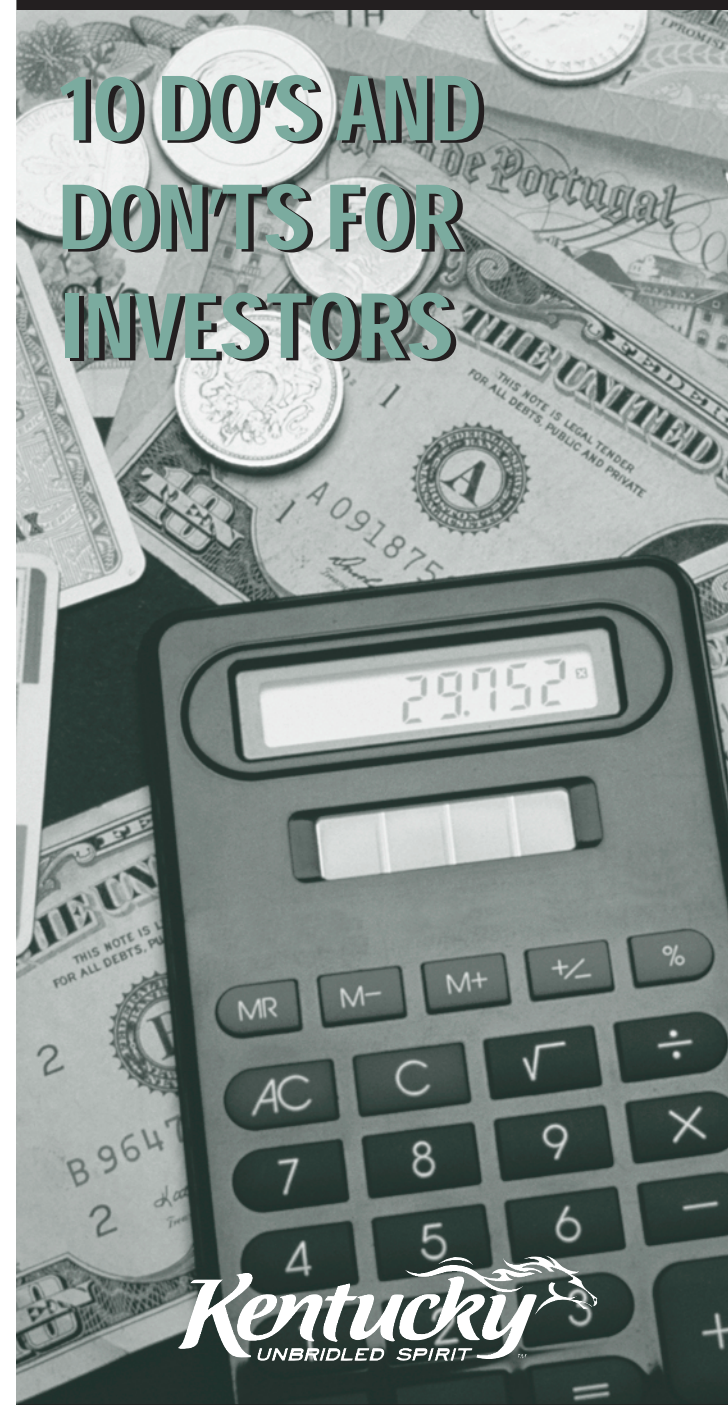
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